

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) S-03-074-03-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) SUMMARY ORDER TO CEASE AND
) DESIST
CARSON ENERGY, INC.; EARL CARTER)
BILLS, JR.; and JERROLD S. ROTHOUSE)
Respondents)
_____)

THE STATE OF WASHINGTON TO: Carson Energy, Inc.
Earl Carter Bills, Jr.
Jerrold S. Rothouse

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Carson Energy, Inc.; Earl Carter Bills, Jr.; and Jerrold S. Rothouse, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

SUMMARY ORDER TO CEASE AND DESIST

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 **I.**

3 **RESPONDENTS**

4 1. Carson Energy, Inc. ("Carson Energy") is a Texas corporation with its principal place
5 of business at 1114 Lost Creek Boulevard, Suite 215, Austin, Texas. Carson Energy is
6 purportedly engaged in the oil and gas business.
7

8 2. Earl Carter Bills, Jr. ("Bills") is president of Carson Energy.

9 3. Jerrold S. Rothouse ("Rothouse") is vice president of Carson Energy.

10 **II.**

11 **NATURE OF THE OFFERING**

12 In April 2003, Jerrold S. Rothouse "cold called" a prospective Washington investor who
13 was 74 years old and had no specialized knowledge about the oil and gas industry and no
14 previous experience investing in oil and gas wells. The prospective investor had about \$50,000
15 to invest and wanted to find a safe investment that would provide a regular monthly income.

16 Rothouse offered the prospective investor a working interest in an oil and gas well and
17 some mineral leases and a joint venture interest in an oil and gas well drilling project. Rothouse
18 said that investor funds would be pooled together to purchase the working interest and to fund
19 the drilling project. He said that investors would share in profits from the venture. Rothouse
20 also said that the investment was a passive investment that would not require any active
21 participation by the prospective investor.
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III.

MISREPRESENTATIONS AND OMISSIONS

When offering the investment, Respondents estimated that an investor would realize a return of \$150,000 on a \$35,000 investment without disclosing any reasonable basis for this estimate. Rothouse also told the prospective investor that gross revenues would be more than \$2,400 per day, but did not provide any reasonable basis for this claim. Rothouse told the prospective investor that this investment was practically a “sure thing.”

When offering the investment, Respondents each failed to disclose material information about the investment. They failed to give the prospective investor any financial statements for Carson Energy. They failed to disclose the operating history of Carson Energy and its principals. They failed to disclose the compensation that would be paid to Carson Energy. They failed to disclose or adequately disclose significant risks of the investment, including inadequate capitalization; restrictions on transferability; lack of liquidity; possible environmental or other restrictions on drilling activities; and whether there was adequate liability insurance coverage for investors.

IV.

THREAT TO THE INVESTING PUBLIC

The Securities Administrator finds that the continued offering of oil and gas investments in the manner described in Tentative Finding of Fact presents a threat to the investing public.

Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

1 The offer or sale of the oil and gas investments described above constitutes the offer or
2 sale of a security as defined in RCW 21.20.005(10) and (12), whether in the form of a
3 participation in an oil, gas or mining title or lease or in payments out of production under such a
4 title or lease or in the form of an investment contract.

5
6 **II.**

7 The offer or sale of said securities was made in violation of RCW 21.20.010 because, as
8 described in paragraphs II and III of the Tentative Findings of Fact, Respondents made untrue
9 statements of material fact or omitted to state material facts necessary in order to make the
10 statements made not misleading.

11 **III.**

12 The Securities Administrator finds and concludes that an emergency exists, that the
13 continued violations of RCW 21.20.010 constitutes a threat to the investing public and that
14 summary orders to cease and desist from those violations is in the public interest and necessary
15 for the protection of the investing public.

16 **SUMMARY ORDER**

17 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Respondents,
18 Carson Energy, Inc.; Earl Carter Bills, Jr.; and Jerrold S. Rothouse, and their agents and
19 employees, shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section
20 of the Securities Act.
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22 **AUTHORITY AND PROCEDURE**

23 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the
24 provisions of RCW 34.05. The respondents, Carson Energy, Inc.; Earl Carter Bills, Jr.; and
25 Jerrold S. Rothouse, may each make a written request for a hearing as set forth in the NOTICE

1 OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
2 order.

3 If a respondent fails to make a timely hearing request, the Securities Administrator
4 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make
5 the summary order to cease and desist permanent as to that respondent.
6

7 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

8 Dated this 23 day of May, 2003

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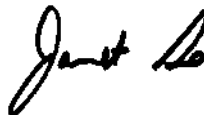
12 Deborah Bortner
13 Securities Administrator

14 Approved by:

Presented by:

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17 
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19 Michael E. Stevenson
20 Chief of Enforcement

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22 
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24 Janet So
25 Senior Legal Examiner